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FISCAL IMPACT REPORT

ORIGINAL DATE 2/18/2007

SPONSOR Foley LAST UPDATED _____ HB 926

SHORT TITLE Tuition Scholarships for Military Dependents SB _____

ANALYST Dearing

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	*(\$0.1)	Recurring	Lottery Scholarship Fund
	*Please see narrative		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		*(\$653.9)	*(\$653.9)	(\$1,307.8)	Recurring	Lottery Scholarship Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Senate Bill (s): 110, 689, 426, 688, and 686
 Relates to House Bill (s): 571, 209, 275, 361, and 740

SOURCES OF INFORMATION

LFC Files

Responses Received From
 Higher Education Department (HED)

SUMMARY

Synopsis of Bill

House Bill 926 carries no appropriation. If enacted, House Bill 926 would amend Sections 21-1-4. 3; 21-13-10; and 21-16-10.1 NMSA 1978. House Bill 926 would extend eligibility for the New Mexico Lottery Success Scholarship program such that eligibility for scholarship program would be available for all dependents of New Mexico resident U.S. service members, stationed outside the State, provided they pay NM Taxes. Additionally, House Bill 926 extends the time-window of eligibility for scholarships for New Mexico resident U.S. service members separating from service from 120 days to 12 months.

FISCAL IMPLICATIONS

The fiscal impact would be to the Lottery Tuition Fund. According to data from the Planning and Research division at the New Mexico Higher Education Department, it is estimated that 211 students could become eligible to receive the Lottery Success Scholarship. The fiscal impact would be \$557,700 in FY08.

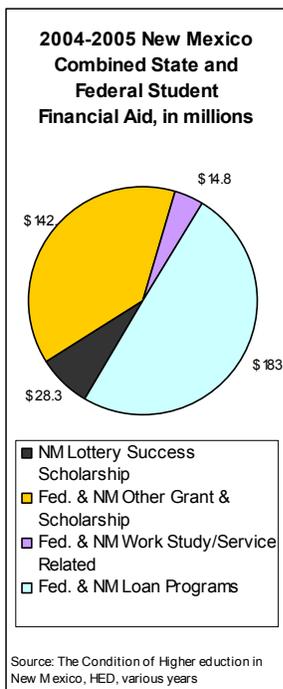
In addition, due to an extension of the time-window of eligibility, it is estimated that 75 additional veterans of the armed forces could become eligible to receive the Lottery Success Scholarship.

The fiscal impact would be an additional \$96,200 in FY08 for a total impact of \$653,900.

The impact is recurring.

ALTERNATIVES, OTHER SIGNIFICANT ISSUES

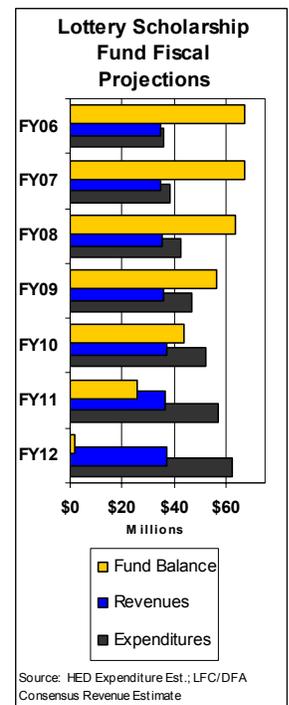
In the 2005-2006 academic years, approximately \$36.9 million in Lottery Success scholarship funds were distributed to New Mexico students. Payouts to beneficiaries continue to exceed New Mexico Lottery Authority disbursements to the scholarship fund. Recent projections show fund insolvency around 2012-2013. With overall flat high school graduation rates expected over this period, projected increases in expenditures are primarily based on tuition inflation. State student aid dollars from the lottery program comprise an ever larger component of state spending on higher education, increasing from 38 percent to 42 percent over the 2002-2003 academic year with subsequent reductions in work-study and service aid.



Across the country, merit scholarship programs are undergoing similar solvency issues. Underestimated and rapidly increasing demand for merit scholarships and scarce resources have forced other states to pursue alternatives.

The Lottery program is one component among many available federal and state student financial aid sources. Including federal and other state grants, work-study, and loan programs, the Lottery program comprises just about 7.7 % of available student financial aid in NM.

Students excluded from the Lottery Success Scholarship have the option to apply for other state and federal financial aid programs.



RELATIONSHIP

House Bill 926 relates to:

Senate Bill (s): 110, 689, 426, 686,
House Bill (s): 571, 209, 275, 361, and 740

These listed bills create various changes to lottery scholarship eligibility, distributions from the fund, or otherwise change the Lottery Success program framework.

AMENDMENTS, QUESTIONS

House Bill 926 does not specify the requirement of a *New Mexico* issued GEDC for applicant eligibility.

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